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**CITY OF PALMDALE,  
CALIFORNIA**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

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**CITY OF PALMDALE, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS**

The Honorable Members of the City Council of  
The City of Palmdale, California

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City of Palmdale, California (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2009. As discussed in Note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as noted above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 11, 2009.

This report is intended solely for the information and use of the Mayor and City Council, City management, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vermile, Trine, Day, Co., LLP*

Rancho Cucamonga, California  
December 11, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of the City Council of  
The City of Palmdale, California

**Compliance**

We have audited the compliance of the City of Palmdale, California (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. As discussed in Note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of July 1, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vawter, Tami, Day, Co., LLP*

Rancho Cucamonga, California

March 8, 2010, except for the Schedule of Expenditures of Federal Awards  
as to which the date is December 11, 2009.

**CITY OF PALMDALE, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Grant Identification Number	Federal CFDA Number	Federal Program Expenditures
<b><u>U.S. Department of Education:</u></b>			
Direct Assistance:			
Fund for Improvement of Education	U215K050333	84.215	\$ 27,628
<b>Total U.S. Department of Education</b>			<b>27,628</b>
<b><u>U.S. Department of Homeland Security:</u></b>			
Passed-Through United Way-EFSP:			
Emergency Food and Shelter National Board Program Cluster:			
SAVES - Food	26-0695-00	97.024	31,020
SAVES - Shelter	26-0695-00	97.024	18,960
<b>Total Emergency Food and Shelter National Board Program Cluster</b>			<b>49,980</b>
<b>Total U.S. Department of Homeland Security</b>			<b>49,980</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Direct Assistance:			
Community Development Block Grant - Entitlement Grants Cluster:			
Administration	B-08-MC-06-0581	14.218	199,208
Fair Housing Council	B-08-MC-06-0581	14.218	25,740
Greater LA Council on Deafness	B-08-MC-06-0581	14.218	7,500
SAVES Administration	B-02-MC-06-0581	14.218	216,500
ADA Compliance	B-07/08-MC-06-0581	14.218	23,381
Focus Neighborhood #4 ADA Compliance	B-07/08-MC-06-0581	14.218	17,215
Focus Neighborhood #5 ADA Compliance	B-07/08-MC-06-0581	14.218	15,675
Neighborhood Stabilization Program Administration	B-08-MN-06-0515	14.218	24,527
Section 108 Loan Principal Payment	B-08-MC-06-0581	14.218	29,000
Section 108 Loan Interest Payment	B-08-MC-06-0581	14.218	158,917
Courson Connection Infrastructure	B-05-08-MC-06-0581	14.218	678,896
ARRA - Administration	B-09-MY-06-0581	14.253	1,753
<b>Total Community Development Block Grant - Entitlement Grants Cluster [1]</b>			<b>1,398,312</b>
HOME Investment Partnerships Program:			
Administration	B-08-MC-06-0582	14.239	13,248
CSP-Courson (HCD HOME)-Loan Balance	04-HOME-0662	14.239	2,850,000
PSHP - 80 UNIT - Loan Balance	B-04/05-MC-06-0562	14.239	725,000
Courson - AMCAL 78 Unit - Loan Balance	B-05/08-MC-06-0562	14.239	975,000
<b>Total HOME Investment Partnerships Program [1]</b>			<b>4,563,248</b>

[1] Denotes Major Program

See accompanying notes to supplementary information.

**CITY OF PALMDALE, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Grant Identification Number	Federal CFDA Number	Federal Program Expenditures
<b><u>U.S. Department of Housing and Urban Development (Continued):</u></b>			
Community Development Block Grants - Section 108 Loan Guarantees:			
Courson Connection Sr. Center	B-02-MC-06-0581	14.248	\$ 2,691,675
Total Community Development Block Grants - Section 108 Loan Guarantees			2,691,675
Homeless Prevention and Rapid Re-Housing Program:			
ARRA - Administration	S-09-MY-06-0581	14.257	1,418
Total Direct Assistance			8,654,653
Passed-Through the California Department of Housing and Community Development:			
HOME Investment Partnerships Program [1]	04-HOME-0662	14.239	139,175
Total U.S. Department of Housing and Urban Development			8,793,828
<b><u>U.S. Department of Justice:</u></b>			
Direct Assistance:			
Edward Byrne Memorial Formula Grant Program	2008-DJ-BX-0693	16.579	35,560
Total U.S. Department of Justice			35,560
<b><u>U.S. Department of Labor:</u></b>			
Direct Assistance:			
WIA Cluster:			
Workforce Investment Act - Adult	A080905	17.258	171,713
Workforce Investment Act - Dislocated Workers	DW080905	17.260	118,602
ARRA - Workforce Investment Act - Dislocated Workers	DW080905	17.260	16,017
Total WIA Cluster [1]			306,332
Total U.S. Department of Labor			306,332
<b><u>U.S. Department of Transportation</u></b>			
Direct Assistance:			
Small Community Air Service Development Program:			
LA/Palmdale Regional Airport	2006-23671-81	20.930	196,011
Total U.S. Department of Transportation			196,011
Total Expenditures of Federal Awards			\$ 9,409,339

[1] Denotes Major Program

See accompanying notes to supplementary information.



# CITY OF PALMDALE, CALIFORNIA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

### NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Palmdale, California (the City). The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

#### B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in Note 1 of the City's financial statements.

#### C. Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the City's financial statements under the financial statement caption "Intergovernmental Revenue" for the General and Special Revenue Funds.

#### D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

### NOTE #2 – AMOUNTS PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	South Antelope Valley Emergency Services	\$ 216,500
Community Development Block Grant	14.218	Greater Los Angeles Agency on Deafness	7,500
Community Development Block Grant	14.218	Housing Rights Center	25,740
HOME Investment Partnerships Program	14.239	AMCAL Regency Partners, LP	975,000
<b>Total Amount Provided to Subrecipients</b>			<u><u>\$1,224,740</u></u>

**CITY OF PALMDALE, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE #3 – OUTSTANDING LOANS OF FEDERAL FUNDS**

The following schedules present the amount of outstanding loans receivable or payable by CFDA number. All loans are included on the accompany Schedule of Expenditures of Federal Awards:

**Loans Receivable:**

<b>CFDA No.</b>	<b>Federal Program</b>	<b>Outstanding Loans at June 30, 2009</b>	<b>Prior Year Loans with Continuing Compliance Requirements</b>	<b>New Loans in Fiscal Year Ended June 30, 2009</b>
14.239	HOME Investment Partnership Act	\$ 4,550,000	\$ 3,435,825	\$ 1,114,175

**Loans Payable:**

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. The amount of the outstanding balance is not included in the Schedule of Expenditures of Federal Awards as there are no continuing compliance requirements for the remaining loan balance. However, amounts expended for repayment of the loan and amounts expended from the proceeds of the loan, are included in the schedule in the amounts of \$ 29,000 and \$2,691,675, respectively. The City had the following loan balances outstanding at June 30, 2009.

<b>CFDA No.</b>	<b>Federal Program</b>	<b>Outstanding Loans at June 30, 2009</b>	<b>Prior Year Loans with Continuing Compliance Requirements</b>	<b>Repayments</b>	<b>New Loans in Fiscal Year Ended June 30, 2009</b>
14.218	Community Development Block Grant - Section 108 Loan Guarantees	\$ 4,780,000	\$ 4,809,000	\$ 29,000	\$ -

**CITY OF PALMDALE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

No

Significant deficiencies identified not considered to be material weaknesses?

None reported

Noncompliance material to financial statements noted?

No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness identified?

No

Significant deficiencies identified not considered to be material weaknesses?

None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.218/14.253

CDBG - Entitlement Grants Cluster

14.239

HOME Investment Partnerships Program

17.258/17.260

WIA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

**CITY OF PALMDALE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**II. FINANCIAL STATEMENT FINDINGS**

None reported.

**CITY OF PALMDALE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Reported.

**CITY OF PALMDALE, CALIFORNIA**

**FOR THE YEAR ENDED JUNE 30, 2009**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

Finding	Status
2008-1 Segregation of Duties	Implemented
2008-2 Cash Receipting Process	Implemented
2008-3 Construction in Progress Program	Implemented
2008-4 Schedule of Expenditures of Federal Awards	Implemented